

## Pakistan Petroleum (PPL)

3QFY18 EPS Rs5.6 +56% YoY (+20% QoQ); 9MFY18 EPS Rs17 +84% YoY

In-line with expectations

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# Higher revenues and FX gain supported earnings

<b>PPL: Financial Highlights</b>							
<b>Rsmn</b>	<b>3QFY18</b>	<b>3QFY17</b>	<b>YoY</b>	<b>QoQ</b>	<b>9MFY18</b>	<b>9MFY17</b>	<b>YoY</b>
Net Sales	30,951	24,058	29%	7%	92,131	64,315	43%
Operating Expenses	8,546	9,297	-8%	4%	24,581	23,345	5%
Royalties	4,524	2,844	59%	11%	13,506	7,627	77%
Gross Profit	17,881	11,917	50%	8%	54,044	33,343	62%
Exploration Expenses	2,943	2,048	44%	-34%	7,413	7,962	-7%
Admin Expenses	1,015	329	209%	115%	2,043	1,420	44%
Finance Cost	217	116	87%	52%	470	352	33%
Other Charges	799	550	45%	6%	2,540	1,418	79%
Other Income	2,110	1,214	74%	-37%	6,634	3,479	91%
Profit Before Tax	15,017	10,088	49%	7%	48,213	25,670	88%
Taxation	3,946	2,978	33%	-19%	14,782	7,549	96%
Profit After Tax	11,071	7,110	56%	20%	33,431	18,121	84%
<b>EPS (Rs)</b>	<b>5.6</b>	<b>3.6</b>			<b>17.0</b>	<b>9.2</b>	

Source: PSX, Topline Research

- PPL's revenues in 3QFY18 grew by 29% YoY thanks to 1) higher Arab Light oil prices, up 24% YoY to US\$65.6/bbl, 2) currency devaluation, providing support to dollar linked revenues, and 3) upward revision in Sui field's wellhead gas pricing.
- While revenues were up during the outgoing quarter, PPL's hydrocarbon production declined by 5%, mainly on the back of lower gas production, we estimate.
- The company in 3QFY18 reported decline in its oil production by around 10%. Oil production declined on account of lower flows from Nashpa and Makori East, down 24% and 19% YoY, respectively.

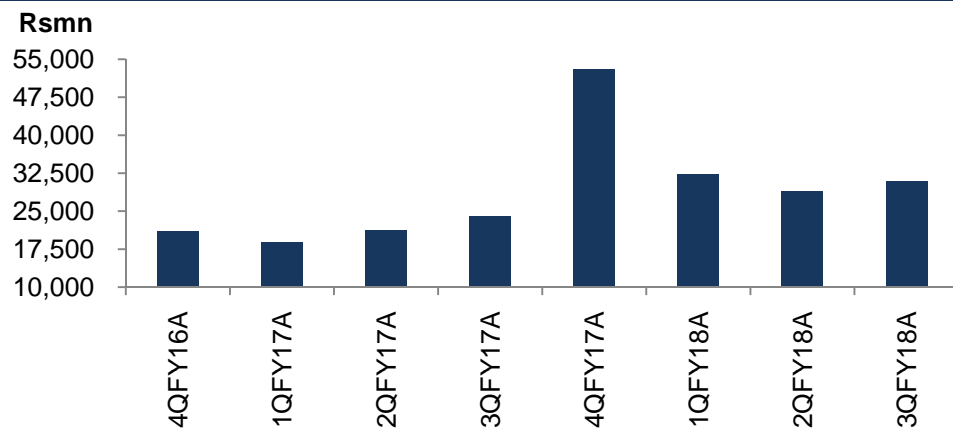
# Higher revenues and FX gain supported earnings

- Royalties were up 59% YoY (+279bps to 14.6% of net sales) in 3QFY18, attributable to royalties paid to Baluchistan Govt. as part of the agreement of Sui field price revision.
- During the outgoing quarter, PPL's exploration charges grew by 44% YoY in 3QFY18, mainly owing to dry well costs, we believe.
- While we await management clarity, PPL's admin expenses grew considerably by 3x YoY to Rs1bn during the outgoing quarter.
- PPL reported other income of Rs2.1bn, up significantly by 74% YoY in 3QFY18. This growth was supported by gain on foreign currency deposit on the back of PKR devaluation against US\$ during the outgoing quarter. To mention, PPL has foreign currency deposits of over US\$300mn as of Dec 2017.
- We flag 1) long-term volatility in international oil prices, 2) delay in key projects and 3) significant exploration and development cost as key risks for PPL.

PPL: Key Numbers					
	FY13A	FY14A	FY15A	FY16A	FY17A
EPS	21.3	26.1	19.5	8.7	18.1
Earnings Growth	3%	23%	-25%	-55%	107%
PE at Rs215.4	10.1	8.3	11.1	24.6	11.9
Dividend Yield	4%	6%	4%	3%	4%
ROE	28%	29%	19%	8%	17%
PBV	2.8	2.4	2.1	2.1	2.0

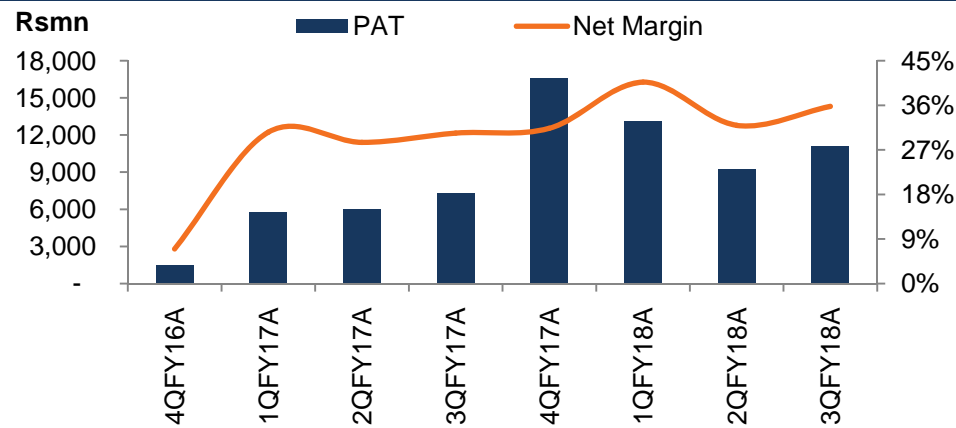
Source: Company Accounts, Topline Research

### PPL: Quarterly Sales



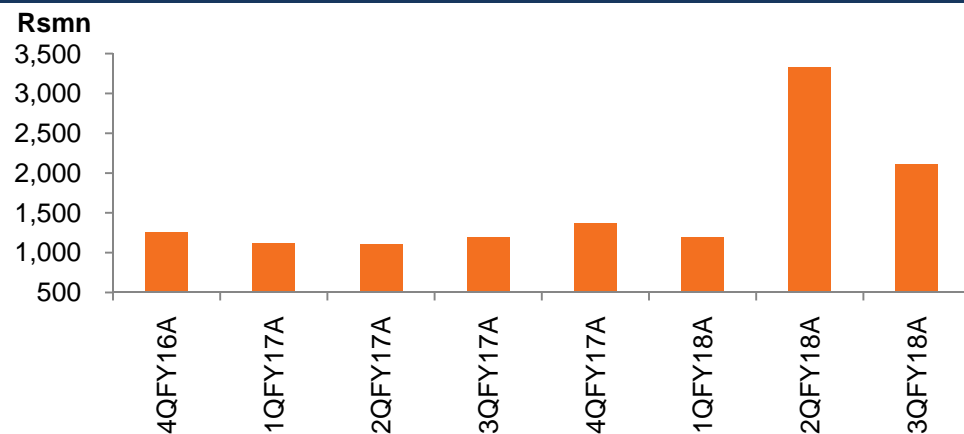
Source: Company Accounts, Topline Research

### PPL: Quarterly Profits & Net Margins



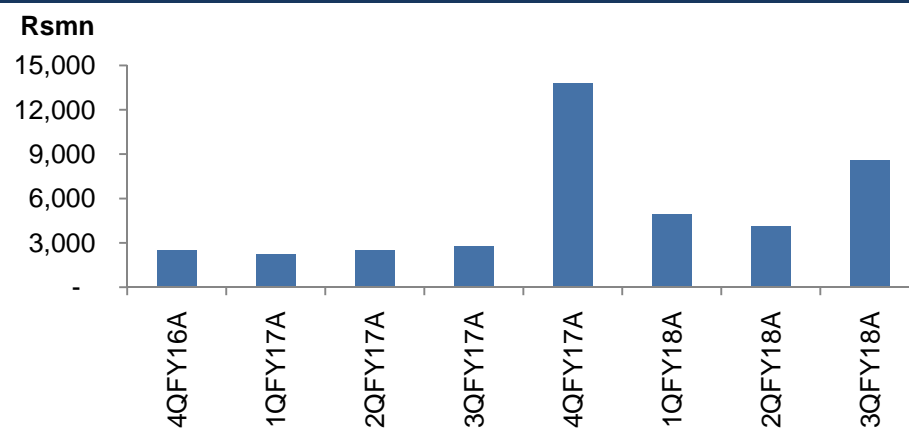
Source: Company Accounts, Topline Research

### PPL: Quarterly Other Income



Source: Company Accounts, Topline Research

### PPL: Quarterly Royalty Expense



Source: Company Accounts, Topline Research

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